

## Request for Council Action

Originator Community Development	Item <b>Interstate Companies Lease Amendment</b>
Agenda Section Consent	Date 8/15/2016

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**Description**

In December, 2011, the City Council approved the Settlement Term Sheet Agreement that resolved litigation regarding the new north-south runway and noise affecting Interstate Company's business just south of the runway protection zone. In February, 2012, the City Council authorized the purchase of 2501, 2601, and 2701 American Boulevard East using South Loop Development Funds. The properties have been leased back to Interstate Companies, Inc. since the purchase, with the revenue being shared between the Metropolitan Airports Commission (MAC) and the City per the Agreement.

At the time of the original lease, the City and MAC negotiated a termination date of May 31, 2017 based on the tenant's request and so that 2018 taxes would not be due on the property as the properties would be vacant on July 1, 2017. The Department of Revenue has changed their interpretation of tax law, which now requires 2018 taxes to be paid if the properties are occupied on January 1, 2017.

Interstate has requested a lease extension to December 31, 2017. Given the change in tax interpretation, and Interstate's desire to remain in the building, staff has negotiated a lease extension. Interstate would pay the full 2017 taxes and the same monthly lease rate for the remainder of 2017. The City expects to receive approximately \$140,000 in new net revenue from this lease after paying 2018 taxes on the property.

Interstate recently purchased an existing building at 2901 W78th St along I-494 in South Loop to house its headquarters operations indefinitely. They are relocating their diesel maintenance operations to Lakeville.

Legal has reviewed and approved the lease extension.

Demolition of the Interstate buildings and the Alpha 5 building along Lindau Lane is scheduled for 2018. Staff will be releasing an RFQ related to the redevelopment of the Interstate and Alpha 5 parcels in 2016.

Creator: Port Authority

Presenter: Schane Rudlang, Port Authority Administrator

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**Requested Action**

Staff recommends the City Council approve the lease extension with Interstate Companies, Inc. through December 31, 2017.

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**Attachments:**

First Amendment to Interstate Companies lease